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January 14, 2005

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VIA FACSIMILE – 513-263-3571

Internal Revenue Service
Director, Exempt Organizations Rulings and Agreements
Department of the Treasury
P.O. Box 2508-EP/EO
Cincinnati, OH 45201
Attention: Michael Tierney - 31-07365

Re: State Government Leadership Foundation, Inc.—EIN 20-0505849

Dear Mr. Tierney:

This letter is written pursuant to the power of attorney on file in your office permitting me to represent the above captioned organization.

In response to your letter dated December 10, 2004 proposing to deny exempt status under IRC 501(c)(4) to The State Government Leadership Foundation, Inc. (SGLF), SGLF is in complete disagreement with your proposed denial. SGLF is strongly protesting the proposed determination because it is based on a misunderstanding of the facts. SGLF respectfully requests that you reconsider the proposed denial of exemption since the organization is organized and operated exclusively for social welfare purposes and there is no private benefit to the Republican Party or any other political party or group or individual.

Attached is a written appeal stating the facts, law and other information supporting our position. We welcome the opportunity to discuss this case with IRS. In addition, we request you seek technical advice from the National Office as there is a strong reason to believe non-uniformity will exist if you deny this appeal (See Rev. Proc. 2005-5; 2005-1 IRB 170).

We respectfully request that you contact us for a conference with regard to this matter and that we be entitled to all conferences allowed under the IRS procedures. Please call me at 202-857-6464 to discuss this matter further. Best regards.

Sincerely,



Laura Kalick

Appeal Regarding

Proposed Denial of 501(c)(4) Exemption for the State Government Leadership Foundation, Inc.

1. The organization's name, address, and employer identification number are as follows:

State Government Leadership Foundation, Inc.
900 Second Street, NE
Suite 201
Washington, DC 20002
Employer Identification Number 20-0505849

2. A statement that the organization wants to appeal the determination:

State Government Leadership Foundation, Inc. (SGLF) appeals the determination and respectfully requests the Internal Revenue Service (IRS or Service) reconsider its proposed denial of exemption pursuant to IRC 501(c)(4) since the organization is organized and operated exclusively for social welfare purposes and there is no private benefit to the Republican Party or any other political party, group or individual.

Furthermore, other similarly situated organizations have received favorable determination letters as IRC 501(c)(4) organizations and to deny exemption to SGLF violates the First Amendment of the Constitution of the United States and constitutes non-uniform discriminatory treatment.

Finally, the authority that the IRS has relied upon to deny exemption to SGLF under 501(c)(4), namely *American Campaign Academy v. Commissioner*, 92T.C. 1053 (1989), is not applicable to the case of SGLF as *American Campaign Academy* involved an organization that sought to maintain exemption pursuant to IRC 501(c)(3).

3. The date and symbols in the determination letter are:

December 10, 2004, Uniform Issue List No.: 501.04-03

4. *A statement of facts supporting the organization's position in any contested factual issue:*

Facts Supporting The Organization's Position

The State Government Leadership Foundation (SGLF), like its name suggests, was formed to create leadership and excellence in State government. The SGLF conducts non-partisan research, and hosts educational roundtable meetings with elected officials and the business community. The SGLF selects topics for the issue briefings at regular meetings of the Board where current issues of importance to State Governments are discussed.¹ These decisions are made independently and not in coordination with any other organization.

SGLF uses publicly available lists of individuals and corporations to seek voluntary donations to support its mission. The SGLF does not have "members" in the legal sense but often refers to its supporters as "members" for lack of a better term.² Membership in the SGLF is not restricted. A donor to the SGLF is not required or prohibited from belonging to any other group.

It may be useful to describe what the SGLF *is not*. The SGLF:

- Is not affiliated with the Republican Party in any way;
- Does not meet with or coordinate its activities with the Republican Party;
- Does not make contributions to, or accept contributions from, the Republican Party;
- Does not participate in political campaigns, elections or publish electioneering messages on behalf of any candidate or party;
- Does not invite Representatives of the Republican Party to speak at its events, and
- Does not participate in the Republican Party platform, does not recruit or train Republican candidates, does not fundraise for Republican candidates, and does not coordinate its issue selection or policy positions with the Republican Party.

¹ For example, the State of Maryland has recently endured a divisive debate gubernatorial veto and legislative override regarding medical malpractice reform. (Copies of recent articles attached.) The SGLF will use that experience to discuss medical malpractice trends and how States should (and should not) handle the debate.

² There are no "members" who have any voting rights in SGLF. They are merely called members for fundraising purposes. Organizations such as the Smithsonian Institution employ the same fundraising nomenclature to attract contributions and enthusiasm about its programs.

For the IRS to suggest or conclude otherwise could place the Republican Party in violation of tax and election laws. The Republican Party has nothing to do with us, nor do we want to have anything to do with them.

Rather, the SGLF was created to fulfill a non-partisan mission of promoting better understanding of important issues pending before State governments. Just as there are many 501(c)(4) organizations doing this on the federal level, the SGLF does this on a State level.

Recent factual developments for the SGLF include:

- Nomination of Andrew Miller, the former *Democratic* Attorney General of the Commonwealth of Virginia to the SGLF Board.
- The decision into publish a Sourcebook on State campaign finance laws, and possibly State ethics laws and lobbying regulations;
- To focus on (1) Campaign Finance Reform,³ (2) Tort Reform and (3) State Medical Programs as its primary research issues for 2005.

Correction of Contested Facts

The IRS letter dated December 10, 2004 states several facts, which are inaccurate. The IRS has made incorrect conclusions based on these inaccurate facts. Quotes from the IRS letter are put forth below in italicized letters.

(1) The IRS Letter states on page 2, paragraph 2, second sentence:

M's members, presenters and lecturers are elected officials (Representatives and Senators) of the N.

Correction (1):

There is no requirement members, presenters or lecturers be affiliated with the Republican Party or be limited to Representatives and Senators. Just the opposite, presenters and lecturers are chosen based on their expertise, not their party affiliation. In fact, the SGLF does not invite Representatives of the Republican Party to speak at its events.

For example, the Issue Briefing held September 15, 2003 at the headquarters of a major national insurance company on the topic of "Insurance & Modern Market Principles" the presenters were a state senator, a state representative, and three speakers from insurance companies including CNA, Allstate Insurance and USAA.

³ This is a continuation of a prior project. In 2003, the SGLF's primary legal project was drafting an Amicus Brief to the United States Supreme Court on the effects on McCain -- Fiengold on State Law.

At the Spring 2004 meeting on "Securities Regulation: Sarbanes-Oxley and Resulting State Trends" speakers included three state attorney generals, the Immediate past chair of the American Institute of Certified Public Accountants (AICPA) and an official from the US Chamber of Commerce.

Other Agendas that SGLF provided to IRS further document the expertise of the speakers, e.g., individuals from the American Petroleum Institute have spoken about energy issues; individuals from the International Food Information Council, the Grocery Manufacturers of America and the Cato Institute have spoken at the issue briefing on the Food Industry and individuals from the National Association of Chain Drug Stores spoke at the Healthcare Issue Briefing.

As shown in the July 1, 2004 submission to IRS listing the contributors/members to SGLF, there is no basis to conclude the contributors are members of the Republican Party. In fact, a partial list of those who were identified (because they have paid certain sums) includes the following, all of whom have no particular political party affiliation:

American Express Travel Related Services
American Insurance Association PAC
American Tort Reform Association
Ameritrust Mortgage Company
AstraZeneca Pharmaceuticals LP
Bank One Corporation
Barr Laboratories
Blue Cross Blue Shield of Michigan
Burlington Northern Santa Fe Corporation
CarMax Auto Superstores, Inc.
Center for Energy and Economic Development
Citigroup Business Services
Coast Hotels and Casinos, Inc.
Dickstein Shapiro Morin & Oshinsky
Edison Electric Institute
Electronic Data Systems
Eli Lilly and Company
Enwistie & Cappucci LLP
Exxon-Mobil Corporation
First Energy Corporation
Mandalay Resort Group

(2) The IRS letter states on page 5, last paragraph:

Based on the information M submitted, it appears that it is a partisan issues-oriented organization. Specifically, M's activities are designed to promote the N.

Correction (2):

SGLF is not designed to promote the Republican Party, but rather is designed to educate the public, including elected officials, the United States Supreme Court, and business leaders on important social, legal and economic issues. The SGLF does not want to nor does it intend to promote the Republican Party. That job is for Republican organizations. Instead, we select and discuss issues in a non-partisan manner. Importantly, the SGLF does not discuss Republican candidates at its meetings.

(3) The IRS letter states on page 6, first paragraph:

Evidence submitted indicates that M's speakers are representatives of the N, which is also supported by M's financial support.

Correction (3):

This is completely wrong. The SGLF makes no contributions to the Republican Party. And as stated in correction (1), our speakers come from a wide range of backgrounds, except they are not representatives of the Republican Party.

(4) The IRS letter states on page 6, paragraph 2:

The information M has submitted indicates it is a partisan organization and that its activities are partisan in nature.

Correction (4):

The information submitted does not indicate that SGLF is a partisan organization. IRS has defined "partisan organization" to mean an organization that limits its membership to a particular group and is engaged in a contest for power.⁴ In contrast, SGLF does not limit or

⁴ The IRS has defined elements of a "partisan organization" in Denial Exemption Letter 20044008E (attached for your convenience) where IRS states:

The information you submitted indicates that you are a partisan organization and that your activities are partisan in nature. Participation in your leadership-training program is limited to registered members of the * * * who are sponsored by members of the * * *. Although you have a legitimate educational program, you conduct your activities for the benefit of the * * *. Your activities are chosen for their benefit to the * * * and its members who wish to run for public office on the * * * ticket or hold appointive office.

restrict its membership to a particular group and is engaged in educational activities and conceivably lobbying activities. It has no activities related to campaigns or elections.

(5) The IRS letter states on page 6, paragraph 3:

M was created for the partisan objective of promoting the platform of and politics associated with the N.

Correction (5):

SGLF was not created for the partisan objective of promoting the platform of and politics associated with the Republican Party. Rather, SGLF was created to promote public debate about social and economic issues facing the citizens of the United States.

The SGLF Issue Briefings have included the following topics: Insurance and Modern Market Principles; Working with Attorneys General: Building Effective Partnerships Briefing; Securities Regulation: Sarbanes-Oxley and Resulting State Trends Briefing; Issue Briefing, "The New Medicare Prescription Drug Benefit and State Price Control Issues"; Issue Briefing: "State Lobbying Best Practices from a Legislator's Perspective"; Energy Issue Briefing—Part I: Pricing Issues; Energy Issue Briefing—Part II: Clean Air Act Update; Food Industry Issue Briefing; Healthcare Issue Briefing.

In addition, SGLF has begun task forces to study issues such as Pharmaceuticals and Healthcare Reform, Securities Regulation; Energy Issues and the Asbestos Litigation Crisis.

(6) The IRS letter states on page 7, paragraph 1:

M . . . is operated primarily for the benefit of a select group. . . such as M's sponsored political breakfast and restricted cloakroom/leadership board receptions.

Correction (6):

This is completely wrong. The SGLF did not sponsor a political breakfast and restricted cloakroom/leadership board receptions. Those events were paid for by the RSLC, a separate 527 political organization.

The RSLC pays political expenses for self-identified Republicans such as Convention expenses, political breakfasts and restricted meetings with candidates. The SGLF does not pay anyone's political expenses. In fact, it does not pay any member's expenses at all. Instead, the SGLF charges conference fees from donors so it can host non-partisan issue forums. Anyone can join the SGLF and participate in these roundtable discussions with business leaders and elected officials. Further, members of the SGLF receive no private economic benefits.

Belonging to the SGLF does not entitle the donor to any restricted promotions or privately issued materials or benefits.

~~In summary, the IRS has overlooked some facts about the SGLF and has confused some RSLC activities with SGLF activities.~~ RSLC political activities are completely separate from, and not financed by, the SGLF. The SGLF promotes social welfare by operating in the public interest in an open and non-partisan way. It is simply wrong as a matter of fact that the SGLF activities are political or substantially benefit the Republican Party.

On the basis of these factual corrections, the IRS should qualify the SGLF for exemption under Section 501(c)(4) of the Code.

5. *A statement outlining the law or other authority the organization is relying on.*

Social Welfare

IRC 501(c)(4) provides for the exemption from federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one that is operated primarily for the purpose of bringing about civic betterment and social improvements.

The concepts of "social welfare" and "charity" are not mutually exclusive. "Charity" includes the term educational for purposes of IRC 501(c)(3). If an educational organization is an "action" organization it will not qualify under IRC 501(c)(3) but may qualify under IRC 501(c)(4).

Section 1.501(c)(3)-1(d)(3)(i) of the Income Tax Regulations provides that the term "educational" relates to:

- a. The instruction or training of the individual for the purpose of improving or developing his capabilities; or
- b. The instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(d)(3)(ii) of the Regulations sets forth examples of organizations that are educational if they otherwise meet the requirements of IRC 501(c)(3), including (Example (2) an organization whose activities consist of presenting public discussion groups, forums, panels, lectures, or other similar programs. An organization may be educational even

though it advocates a particular position or viewpoint so long as it presents a sufficiently full and fair exposition of the pertinent facts as to permit an individual or the public to form an independent opinion or conclusion. On the other hand, an organization is not educational if its principal function is the mere presentation of unsupported opinion.

As indicated by the long list of industry experts and other policy experts who present briefings of issues at SGLF conferences, it would be simply wrong to say that they are presenting unsupported opinion.

Private Benefit

1. An organization that is operated essentially for the private benefit of its members is not primarily engaged in activities for the common good and general welfare of the people of the community. See *Rev. Rul. 73-306, 1973-2 C.B. 179*.

Rev. Rul. 80-107, 1980-1 C.B. 117, discusses the concept of private benefit. The issue was whether an organization of individuals and institutions, (1) having beneficial interests in shares of any public utility located in the state, (2) that was formed to promote the interests of the public utility industry and its stockholders by (3) preparing and filing statements relating to public utility matters pending before state and federal agencies and legislative bodies and (4) by publishing a newsletter about matters affecting the stockholders, qualified for exemption under section 501(c)(4) of the Code. The IRS found that the organization did not qualify for exemption because the primary beneficiaries of the organization's activities were its members, together with other individuals who own shares in the public utility companies of the state. Therefore, the organization was primarily operated to serve private interests rather than the interest of the community as a whole.

In the case of SGLF, an individual makes a voluntary donation to participate in the conferences. Any person, regardless of his or her political affiliation, can participate, and state officials are invited to attend without charge. The opportunity for the state officials to attend and to hear the discussion of issues important to the public is educational, and benefits the entire community and promotes social welfare.

Rev. Rul. 78-132, 1978-1 C.B. 157, also discusses the private benefit issue regarding IRC 501(c)(4) exemption. The facts were:

The organization was formed to facilitate the exchange of personal services among members. Services available to members are listed by the organization, and include home maintenance, minor repairs and transportation. Membership is open to all individuals in a particular community. Each member informs the organization of those services that he can perform. When a member needs a particular service, he contacts the organization, which provides the member with a list of other members who are capable of performing the needed service. The

member needing the service selects a member to perform the service. No monetary payment is made for the service performed. Instead, the service is evaluated in terms of credit hours, and the two members inform the organization of the transaction. The organization keeps records of all transactions among members, and lists the number of credit hours earned or owned by each member.

IRS held in Rev. Rul. 78-132 as follows:

The organization here described is a private cooperative enterprise for the economic benefit of the members. Such organizations have been held not to be exempt as social welfare organizations. For example, *Rev. Rul. 73-349, 1973-2 C.B. 179*, holds that an organization formed to purchase groceries for its membership at the lowest possible prices on a cooperative basis is not exempt under section 501(c)(4) of the Code. In *Commissioner v. Lake Forest, Inc.*, 305 F.2d 814 (4th Cir. 1962), it was held that a corporation that provided housing on a cooperative basis lacked the necessary requirements of an organization described in section 501(c)(4) of the Code. The court held the operation to be a private self-help enterprise with only an incidental benefit to the community as a whole.

In contrast there is no private, physical or financial benefit to being a donor to SGLF. Instead, SGLF benefits the community as a whole by holding discussions of issues that are of concern to the entire community such as Medicare reform, energy policy, pharmaceutical safety, insurance issues, asbestos litigation and tort reform. Furthermore, by inviting state officials who are elected by the public, the whole public benefits. The important distinction between SGLF and the organizations in the cited revenue rulings that were denied IRC 501(c)(4) status is that SGLF's activities do not benefit a small class of persons, nor the Republican Party, but rather government officials and an unlimited class of the public.

2. In the proposed denial letter the IRS cites *American Campaign Academy*, ("ACA") 92 T.C. 1053 (1989) for the proposition that an organization that is involved in partisan activities cannot achieve IRC 501(c)(4) status because such activities constitute more than an insubstantial amount of private benefit.

The Applicant's case is legally distinguishable from ACA because that case involved an IRC 501(c)(3) application and SGLF has applied for exemption under IRC 501(c)(4). Organizations exempt under 501(c)(4) are generally allowed greater latitude than allowed organizations exempt under 501(c)(3). For example, an organization exempt under 501(c)(4) may engage in *substantial* non-exempt activities since the test for exemption is one of primary activities.

The SGLF is also factually distinguishable from ACA. The best way to demonstrate this is by using the IRS analysis⁵ in the PFF course case, an organization that involved Newt Gingrich. There, PFF was granted 501(c)(3) status because of its factual differences from ACA. IRS stated:

We believe that the court relied in ACA on six factors in that case to conclude that ACA served the private benefit of the Republican Party. We address these six factors below.

First, the court determined that ACA's program was 'an outgrowth of a program operated by an official Republican Party organization, the NRCC- In comparison, in certain respects, the RAC course was, at least in part, an outgrowth of programs sponsored by GOPAC. GOPAC had earlier operated AOW itself and had ALOF operate a later program entitled ACTV. Both of these predecessor projects bear a subject matter similarity to the RAC course, but the RAC course was a significant expansion and development of the earlier ideas. The ACA course much more closely resembled its predecessor.

Second, the court noted that key founders of ACA and two of its three directors had strong ties to the Republican Party. In comparison, Mr. Eisenach (PFF's incorporator, director and president) was not a GOPAC officer for most of the 9403-tax year. He had close ties to Mr. Gingrich, a Republican elected official, who taught the RAC course. Two of PFF's five directors (Mr. Keyworth and Mr. Conner) had no formal affiliation with GOPAC or Mr. Gingrich.

Third, ACA's activities were funded exclusively and directly by the National Republican Congressional Trust. PFF was not funded by Republican Party organizations. While some funds came from organizations and individuals who had supported GOPAC in the past, most funds did not. Funds came from a broad group of foundations, businesses, and individuals.

Fourth, the court believed that ACA admission panel members were Republicans that the political affiliation of applicants could be deduced from their applications, and that graduates served on the campaigns of Republican candidates. The goal of ACA was specifically promoted only by educating the students who came to its campaign school to be campaign managers for Republican candidates. In contrast, the RAC course was taught at established colleges and universities where admission to the course was unrestricted. In addition, the file indicates that the distribution of the course and the course book by PFF was widespread and not narrowly targeted to Republican organizations. To the extent that distribution was focused generally on conservative

⁵ See Tax Analysts CITE: 1999 TNT 24-25 HEADLINE: 1999 TNT 24-25 UNRELEASED TAM RULES FOUNDATION INVOLVED WITH GINGRICH COURSE WAS EXEMPT. (Section 501(c)(3) -- Charities) (Release Date: DECEMBER 01, 1998) (Doc 1999-5081 (74 original pages))

organizations, such distribution is not the same as distribution to Republican organizations.

Fifth, the court emphasized that ACA's curriculum included several courses with titles clearly related to, and biased towards, the Republican Party. We find that the RAC course material through our careful consideration of the four corners of its content was not biased toward a political party or candidates for elective public office.

Sixth, ACA's primary activity was to operate a campaign school to train political campaign professionals, and 90 percent of its funding was spent to operate the school. PFF had, from its inception, a broader range of activities. In addition to being distributed to the general public, the RAC course was taught at a number of established colleges and universities with much broader courses of study and student bodies than ACA.

Based on the above analysis, we believe the facts in the case of SGLF are distinguishable from the facts in ACA in at least the last four of the above six factors.

Using the PFF analysis here, the SGLF proves to be much more similar to PFF than it would be to the ACA. Following the six factors cited above:

1. SGLF is not an outgrowth of a program operated by another organization but rather, is a new program formed to fill a need to educate the public.
2. Although some prior SGLF directors had close ties with the Republican party, that is irrelevant in determining of IRC 501(c)(4) status because such organizations can engage in political activities.
3. SGLF's activities are not funded by any political organization.
4. SGLF has no requirement that speakers or attendees be Republican.
5. The subject matter of SGLF Issue Briefings have nothing to do with any political organization.
6. SGLF's activities are nonpartisan and have broad application and merit.

3. It is not inconsistent with IRC 501(c)(4) status for SGLF to have a relationship with RSLC or any other IRC 527 organization. As noted below⁶, many groups that have been classified as IRC 501(c)(4) organizations have leanings in favor of either the Republican Party or the Democratic Party and many of these organizations have affiliated IRC 527 organizations.

⁶ See <http://www.opensecrets.org/527s/527grps.asp>

Organization	Type	Description
<u>American Civic Coalition</u>	501(c)(4)	A Republican-leaning group aiming to help "grassroots" activists to educate the American public ...
<u>American Family Voices</u>	501(c)(4)	Democratic-leaning group led by former Clinton aide Michael Lux ...
<u>Americans for Responsible Government</u>	501(c)(4)	Republican group focusing on taxes, families and economic growth ...
<u>Center for American Progress</u>	501(c)(3) 501(c)(4)	Democratic think tank formed to find progressive solutions to a host of problems ...
<u>Grassfire.org</u>	501(c)(4)	The media component of grassfire.net, a conservative, Pro-Bush organization ...
<u>MoveOn.org</u>	527 PAC 501(c)(4)	Airing TV ads that are critical of President Bush in key battleground states ...
<u>National Committee for a Responsible Senate</u>	501(c)(6)	Created to conduct issue advocacy in support of GOP Senate candidates ...
<u>Natural Resources Defense Council</u>	527 501(c)(3) 501(c)(4)	A national environmental organization with more than one million members and online activists ...
<u>People for a Better Florida</u>	501(c)(4)	A Republican-leaning group that seeks to impact issues such as medical malpractice reform. ...
<u>Progress for America</u>	527 501(c)(4)	Conducting issue-advocacy efforts in support of GOP candidates ...
<u>Progressive Donor Network</u>	501(c)(4)	Democratic group focused on opposing President Bush's reelection ...

No argument can be made that the sharing of space and personnel with RSLC could confer a private benefit. Only the expenses allowed by the Income Tax Regulations are being paid by the SGLF. Furthermore, both the IRS and the Federal Election Commission (FEC) contemplate that the members of an IRC 501(c)(4) can be solicited for contributions to a connected PAC. Therefore, it is not at all unusual or improper for SGLF and RSLC to share space, share employees or hold events that coincide with each other.

Uniform Application of the Tax Laws

In the interest of uniform application of the tax laws it is important to note that IRC 501(c)(4) status has been granted to numerous organizations similar to the SGLF. For example, 501(c)(4) status was granted to Empower America, an organization that had a conservative agenda. In that case,⁷ Empower America, headed by former Republican vice presidential candidate and Housing and Urban Development secretary Jack Kemp, was granted tax-exempt status by the IRS as an IRC 501(c)(4) social welfare organization.

There is no published authority that would deny IRC 501(c)(4) status to SGLF. In fact, the IRS has granted 501(c)(4) status to organizations with very politically-oriented officers, members or directors, such as the Democratic Leadership Council, an IRC 501(c)(4) organization whose past chairs include: former President Bill Clinton, Sen. Joseph Lieberman of Connecticut, former Rep. Dave McCurdy of Oklahoma, Sen. John Breaux of Louisiana, former Sen. Sam Nunn of Georgia, former Sen. Charles Robb of Virginia and House Democratic Leader Richard Gephardt of Missouri.

To deny exemption to SGLF based upon the party affiliation of its officers, directors, or members would be apply the tax laws in a non-uniform, discriminatory manner in violation of the First Amendment of the Constitution of the United States of America.

Furthermore, it is not relevant in making a determination of whether an organization should obtain IRC 501(c)(4) status if there is reference to the word Democrat or Republican. For example, see the organizations described below that has attained IRC 501(c)(4) status.

Democratic Leadership Council

The DLC was founded in 1985. The past chairs include former President Bill Clinton, Sen. Joseph Lieberman of Connecticut, former Rep. Dave McCurdy of Oklahoma, Sen. John Breaux of Louisiana, former Sen. Sam Nunn of Georgia, former Sen. Charles Robb of Virginia and House Democratic Leader Richard Gephardt of Missouri.

Organization: The DLC is a nonprofit corporation exempt from tax under Section 501(c)(4) of the Internal Revenue Code. It is not a political committee and is not organized to influence elections. Mission: The DLC's mission is to promote public debate within the Democratic Party and the public at large about national and international policy and political issues. Specifically, as the founding organization of the New Democrat movement, the DLC's goal is to modernize the progressive tradition in American politics for the 21st Century by advancing a set of innovative ideas for governing through a national network of elected officials and community leaders. Chairman: Senator Evan Bayh (D-IN) Vice Chair: Rep. Ellen Tauscher (D-CA)

USDEMS

⁷ HEADLINE: 97 TNT 231-15 FULL TEXT: EMPOWER AMERICA GRANTED TAX-EXEMPT STATUS.
(Section 501(c)(4) -- Civic Leagues, etc.) (Release Date: November 21, 1997) (attached for your convenience).

USDems.org is an independent 501-C-4 organization. Although we support the fundamental ideals and broad platform of the Democratic Party, we are not formally affiliated with any political organization.

Our mission is to encourage Americans in all their diversity to participate in an ongoing discussion of the great issues that face our nation.

Our goal is to give voice to citizens as they reflect on the core principles, ideals and contemporary issues that face the Democratic Party and the American nation.

Our method is to be a voice for the people who believe in and support the American Dream and the ideals of the Democratic Party.

USDems.org is an independent organization and is not authorized by any candidate or candidate's committee.

Also relevant is another IRC 501(c)(4) organization that is similar to the Applicant, SGLF:

Progress for America

Progress for America, Inc. ("PFA") is a diverse coalition of concerned citizens, businesses, nonprofit organizations and community leaders who promote public policies that improve the lives of every American. PFA promotes nonpartisan policies that stimulate the economy, reduce tax burdens on American families and businesses, and encourage free trade. These policies create more jobs for American workers, more exports for American farmers, and higher living standards for American families. PFA also promotes policies that reform and improve education, and market-based reforms for the nation's energy policy to reduce our dependence on foreign oil.

PFA is organized as a nonprofit corporation and exempt from federal income tax under section 501 (c)(4) of the Internal Revenue Code. It will maintain a field team across the country to facilitate grassroots lobbying, issue advocacy and educational programs and activities. These programs and activities include direct mail, newspaper, radio and television advertisements, and web sites designed to enhance the knowledge of the general public on issues of importance to the organization. PFA also pursues its goals through a combination of earned media outreach, local press conferences, and community and editorial board briefings.

Heading into the next legislative session and beyond, it has become apparent that liberal special interest groups are forming organizations whose single goal is to attack and defame the issue agenda of President George W. Bush and other leaders who are working to enact conservative, common sense public policies that benefit all Americans. PFA is an issue advocacy/grassroots organization committed to keeping the issue record straight and serves as a conservative "Issue Truth Squad." It is the only such organization in the country!

Contributions to PFA are not tax deductible as charitable contributions for federal income tax purposes. Contributions to PFA will be used to finance grassroots issue advocacy activities and, therefore, are not deductible as business expenses. Contributions to PFA do not count toward the \$95,000 biennial aggregate contribution limit applicable to an individual's contributions to federal candidates, political party committees or PACs.

To allow other similar organizations to obtain and maintain exemption and not the SGLF constitutes arbitrary and capricious action by the IRS that violates the First Amendment of the Constitution of the United States. In support of this proposition is the complaint of the Christian

Coalition International in its case against the United States⁸ that discussed the vagueness of the term "social welfare" found in IRC 501(c)(4). The complaint states in relevant part:

Although First Amendment activities, such as those engaged in by the Christian Coalition, need not be subsidized by the Government, *Regan v. Taxation With Representation*, 461 U.S. 540 (1983), the discriminatory denial of tax exemptions can impermissibly infringe free speech. *Big Mama Rag, Inc. v. United States*, 631 F.2d 1030, 1034 (D.C. Cir. 1980) (citing *Speiser v. Randall*, 357 U.S. 513, 518 (1958)).

In addition, the void-for-vagueness doctrine requires notice of proscribed conduct, and explicit standards for Government officials who might otherwise engage in arbitrary and discriminatory enforcement. *Grayned v. City of Rockford*, 408 U.S. 104, 108-109 & nn. 3-4 (1972); *Papachristou v. City of Jacksonville*, 405 U.S. 156, 162 (1972). A law must be struck down if . . . "men of common intelligence must necessarily guess at its meaning." *Hunes v. Mayor of Oradell*, 425 U.S. 610, 620 (1976) (quoting *Connally v. General Constr. Co.*, 269 U.S. 385, 391 (1926)). Further laws are invalidated if they are "wholly lacking in 'terms susceptible of objective measurement'" *Keyishian v. Board of Regents*, 385 U.S. 589, 604 (1967) (quoting *Cramp v. Board of Public Instruction*, 368 U.S. 278, 286 (1961)).

Thus, regulations authorizing tax exemptions may not be so unclear as to afford latitude for subjective application by the Internal Revenue Service. *Big Mama Rag*, 631 F.2d at 1034. The Internal Revenue Service applies the standards of 26 CFR section 1.501(c)(4)-1(a)(2)(ii) in an arbitrary and capricious manner by granting section 501(c)(4) status to other similarly situated applicants, but denying it to the Christian Coalition. In so doing, the Internal Revenue Service also engaged in content-based and view- point based discrimination.

In the case of SGLF, the seminars and conferences are not intended to influence persons who attend to support individuals to public office whose political philosophy is in harmony with the political philosophy of SGLF. Rather, the seminars and conferences are intended to educate the public and discuss issues that are of importance to the attendees in hopes of influencing the positions of the state officials who attend. Therefore, at best the activities of SGLF constitute lobbying as opposed to political activity. The activities of SGLF are more akin to 1.527-2(c)(5) of the Regulations, Example (5) where E, an officeholder, expends amounts for periodicals of general circulation in order to keep informed on national and local issues. Such expenditures are not for an exempt function (i.e., not political expenditures).

⁸ (The Christian Coalition International v. United States of America)(Civil Action No._____) (United States District Court) (Release Date: FEBRUARY 25, 2000) (Doc 2000-5908). Tax Notes Today, March 1, 2000. CITE: 2000 TNT 41-49 (Doc 2000-5908)

Summary

In summary, the IRS has relied on incorrect facts in making its preliminary judgment about the SGLF. The new facts alone are enough to change the IRS's initial determination.

And second, granting 501(c 4) status to the SGLF is correct as a matter of law. The SGLF operates in the public good, without a private benefit, and in a non-partisan manner. The fact that the SGLF associates with political committees does not change this.

6. A statement as to whether a hearing is desired.

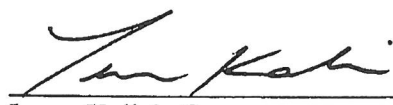
State Government Leadership Foundation, Inc. respectfully requests a hearing with the Internal Revenue Service on these issues and does not waive any right to future conferences with the National Office if a favorable determination is not granted based on this appeal.

Internal Revenue Service
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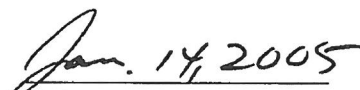
SIGNED DECLARATION

I, Laura Kalick, prepared this appeal and accompanying documents and personally know that the statements of facts contained in the appeal and accompanying documents are true and correct.

Under Penalties of Perjury I sign this declaration:



Laura Kalick, Esq.



Date